

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7108

BILL NUMBER: HB 1522

NOTE PREPARED: Jan 3, 2005

BILL AMENDED:

SUBJECT: Gaming Agents.

FIRST AUTHOR: Rep. Alderman

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill prohibits the Indiana Gaming Commission from contracting with the State Police Department for the performance of background investigations and certain duties required during riverboat gambling operations. The bill requires the Indiana Gaming Commission to employ its own enforcement officers and auditors and vests gaming enforcement officers with certain police powers. The bill provides that gaming enforcement officers are members of the State Excise Police and Conservation Officers' Retirement Plan and makes other conforming changes. It also specifies that information concerning an investigation conducted by the gaming enforcement officers may not be disclosed unless access is specifically required by statute or a court order.

Effective Date: July 1, 2005.

Explanation of State Expenditures: The bill would result in a transfer of enforcement personnel from the State Police to the Indiana Gaming Commission (IGC) beginning January 1, 2007. The IGC would not experience an increase in administrative expenses due to the transfer, however, because it currently obtains investigative and enforcement services necessary for riverboat operations through an interagency agreement with the State Police. The salary, fringe benefit, and equipment costs relating to these investigative and enforcement services provided by the State Police is annually reimbursed by the IGC. The money for this reimbursement is obtained by the IGC from the riverboat owners and, for license-related investigations, from the licensees themselves. Under the bill, these costs would continue to be reimbursed by the riverboat owners and licensees.

In addition to enforcement officers, the bill specifically requires the IGC to employ auditors who are accounting

professionals. It appears that, currently, certain functions performed by gaming enforcement personnel in the Background Investigative Unit possibly involve audit and financial work. However, any additional audit personnel the IGC may have to employ under the bill would (as with other enforcement personnel) be reimbursed by the riverboats. In addition, the bill specifically requires the riverboats to reimburse the IGC for the cost of training enforcement personnel and for the salaries and other expenses of staff required to support the enforcement officers and auditors.

In contrast, the State Police would experience a reduction in administrative expenses as gaming enforcement personnel are released or are reassigned to vacant positions. Currently, 108 enforcement officers are employed by the State Police Department for gaming enforcement. However, the gaming enforcement personnel reductions could potentially be accomplished through normal attrition based on recent annual retirement and resignation totals. The State Police experienced 42 retirements and 18 resignations of enforcement officers in 2002, and 29 retirements and 13 resignations of enforcement officers in 2003. It is also important to note that according to the December 27, 2004, state vacancy report, the State Police Department had a total 124 vacant enforcement officer positions outside the Gaming Enforcement Division, including 48 at the rank of Sergeant and 51 at the rank of Trooper. In addition, current gaming enforcement personnel with the State Police could potentially be employed by the IGC since the bill does the following:

- (1) Requires the IGC to employ a number of enforcement officers and auditors at least equal to the number of State Police officers assigned to gaming enforcement on December 31, 2006 (the last day of State Police gaming enforcement operations).
- (2) Prohibits the IGC from compensating an enforcement officer who was formerly a State Police officer less than what he or she received as a State Police officer. This provision requires that the officer was employed by the State Police immediately prior to being employed by the IGC.
- (3) Requires the IGC to categorize salaries of enforcement officers within each rank based on rank held and years of service in a law enforcement agency (including the State Police Department) through the tenth year of service.
- (4) Prohibits the IGC from establishing salary ranges for any rank that are less than the salary ranges effective for State Police officers serving on riverboats as of January 1, 2005.

Background Information: The December 6, 2004, state staffing table indicates that the State Police Gaming Enforcement Division comprises 111 enforcement officer positions, three of which are vacant; and 8 civilian support positions, 6 of which are vacant. According to the staffing table, the current annual cost of salary for Division employees is about \$4.97 M. Assuming an additional 37% in cost for fringe benefits (about \$1.84 M), total salary and benefit cost of the Gaming Enforcement Division is estimated to total about \$6.8 M annually.

The Gaming Enforcement Division is comprised of two units: (1) the Background Investigative Unit (BIU); and (2) the Riverboat Investigative Unit (RIU). The BIU is responsible for conducting background investigations of the owners, key management personnel, and employees of the riverboat license holders and applicants, as well as riverboat supplier license holders and applicants. In addition, the BIU assists the RIU in long-term detailed gaming investigations; the financial evaluation of companies who apply for licenses to ensure they have sufficient resources to provide gaming services; and the investigation of corporate purchasers' "buy-outs" of previous owners. The RIU is responsible for serving as the enforcement arm of the Indiana

Gaming Commission on Indiana's ten riverboats. RIU personnel investigate violations of state law and Indiana Gaming Commission rules. The State Police currently utilizes a one-year rotation system to fill vacancies within the RIU. (The BIU is permanently staffed.) It fills approximately 85% through a competitive process and approximately 15% through a lottery system.

Explanation of State Revenues: The Indiana Gaming Commission currently reimburses the State Police for the cost of the Gaming Enforcement Division. The money for this reimbursement is obtained by the IGC from the riverboat owners and, for license-related investigations, from the licensees themselves.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Police; Indiana Gaming Commission.

Local Agencies Affected:

Information Sources: Indiana State Police, *2002 Annual Report & 2003 Annual Report*.

Fiscal Analyst: Jim Landers, 317-232-9869.